

7.0 INCIDENTAL ACTIVITIES CONTRACT CLASSIFICATION

- 7.1** The classification of Incidental Activity indicates that the service is considered:
- a. An outgrowth of Regulated operations; and
 - b. a non-line-of-business Activity; and
 - c. has been traditionally treated as Incidental. (Listed in Section 3 of the SWBT CAM)
- 7.2** A service may be classified as an Incidental Activity and will be provided to affiliates as well as nonaffiliates. Exceptions to Incidental treatment for affiliate transactions are noted in the following paragraphs.
- 7.3** Upon classification as an incidental activity by the CAM contact the contract administrator begins the formal classification process.
- 7.301 Step 1 Assessment**
For each contract, the new service or Activity must be assessed for marketability.
- A letter of request for the assessment of a new product, service or Activity should be handled as follows:
- a. Send the letter of request to the Marketing Assessment Address identified in Attachment 3.
 - b. Provide a description of the service, or Activity.

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- c. Describe the targeted market for the product, service or Activity.
- d. If the result of the assessment is to introduce a incidental activity (contract) service, then contracts would be negotiated with the buyer.

7.302 Step 2 Cost Study

A cost study is required for each new or renegotiated contract for the provision of Incidental Activities. The cost study results will be provided to the Product Manager for use as a cost floor reference. For generic contracts and contracts where the pricing elements remain the same, one cost study will suffice.

- 1) The type of cost methodology used will be based on the classification of the contract.
 - a. For contract with Nonaffiliate third parties that are classified as Incidental Activity, an incremental unit cost study will be used as the cost floor reference for establishing the price.

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- b. For contracts with Affiliates classified as Incidental Activity, a Fully Distributed Cost study as required by the FCC rules as promulgated in 47 C.F.R., Part 32.27 and 47 C.F.R., Part 64.901 will be used as the cost floor reference for establishing the price except in cases where a substantial number of nonaffiliate customers for the service exists and a prevailing price is established. Documentation to support the contention that there is a substantial number of customers to establish a prevailing price for the service is a requirement of the FCC rules for recording affiliate transactions in the FCC CC Docket 86-111 and is described in Section 3.123 of this Operating Practice.
- 2) To request a cost study, a letter should be sent to the Cost Studies Request Address identified in Attachment 3. Questions may be referred to the Cost Studies Contact identified in Attachment 3. The following information is required.
 - a. Provide a description of the contract, the contract period, and a description of each pricing element (such as per unit, per month, per hour, etc.).
 - b. Provide all non-recurring cost elements (one-time and/or start-up) by state and the anticipated date the costs will be incurred.

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- c. Provide all recurring cost elements associated with capital investments; i.e., all equipment, account codes, installation hours, engineering hours, vendor fees, property tax and maintenance expenses (dollars or hours) by state and the anticipated date the costs will be incurred.
 - d. For labor efforts (recurring and non-recurring) provide the Responsibility Code (RC), the Job Function Code (JFC), the job level, the number of people and the hours required by state to perform the function. Also indicate how the time was determined (e.g., time and motion study, experience, etc.).
- 3) The Cost Studies organization will perform a cost study based on the classification of the contract.
 - a. Cost Studies personnel may request additional information, as needed, from the Service Provider and/or the Contract Administrator.
 - b. Cost Studies personnel will develop the annual costs associated with the Activity including capital cost and operating expenses.
 - c. The cost study results for each pricing element will be provided to the Marketing Department to establish the price. The cost study can usually be completed within two months from the date of the request. This cost is considered to be the cost floor for establishing the price.

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- d. The cost study results may be provided to the Separations organization for their use if required.

7.303 Step 3 Pricing

The pricing of specific contract Activities is normally done by the Marketing organization. Regulated service pricing is coordinated through the Rates organization. Three basic factors are considered when determining price: market value, service value and cost recovery.

- a. Market value is a primary factor in setting price. If a comparable service, product or activity exists in the open marketplace, the price should be set in relation to that market price.
- b. If a market comparable is not available, service value can be used in setting the price. The value of a service, product or Activity may be what the customer is willing to pay or what it would cost the customer to perform the service internally.
- c. However, both market value and service value pricing must recover cost plus some reasonable contribution. In the case of services to affiliates the FDC must be recovered if the prevailing price criteria is not met. Documentation to support the contention that prevailing price criteria is applicable for the service is a requirement of the FCC rules for recording affiliate transactions in FCC CC Docket 86-111. (See 9.13 of this Operating Practice).

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- d. For Incidental nonaffiliate contracts, an Incremental Unit Cost study plus some contribution is normally used for establishing the price. If the Incidental Activity is similar to a Tariffed activity, often the price will be similar to the Tariffed rates. For Incidental affiliate contracts, an FDC study is used for establishing the price that must be equal to, or above the FDC (except when prevailing price can be used).

7.304 Step 4 Negotiation

For each contract, coordination must occur between the buyer, the Service Provider and either the Product Manager or a Contract Manager to negotiate terms for a formal contract. Negotiation assistance and guidance is available for the Marketing and Legal Departments and where appropriate, the Procurement Department. Specifically, the Marketing group that sets the price for a particular service can provide contract negotiation or recommendations on contract content. Prior to execution, all contracts are required to be submitted for legal review.

7.305 Step 5 Legal Review

Each Contract Administrator must forward to the appropriate state or Headquarters Legal Department and the CAM Attorney each contract for review before the contract is signed.

7.306 Step 6 Contract Signing

Upon return from legal review the Contract Administrator must obtain the appropriate signatures of the buyer and SWBT (according to the Schedule of Authorizations).

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7.307 Step 7 Routing Determination

Immediately after the contract is signed the Contract Administrator must proceed according to the type of service described in the contract.

- a. If the contract is for the Incidental Activity "Provision of software developed for Southwestern Bell Use" and the buyer is an affiliate the Contract Administrator must forward a copy of the contract to the Area Manager-Affiliate Transactions as listed in Attachment 3. The Area Manager-Affiliate Transactions will assure the billing is established as described in the Contract Administrators Guide, Attachment 5 of this Operating Practice, and assure that copies of the contract are provided to the regulatory bodies as necessary. The billing mechanism is the Technical Services Billing System which parallels the Affiliate Billing System described in the Contract Administrators Guide.
- b. If the contract is for an Incidental Activity other than listed in (a) above, the Contract Administrator must prepare a SW-1161 as described in Attachment 1 of the Operating Practice. The Contract Administrator must forward the SW-1161 to the Contract Coordinator listed in Attachment 2 to obtain the formal classification. A signed copy of the contract must be attached to the SW-1161.

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7.308 Step 8 Formal Classification

The Contract Coordinator will review the contract and sign the SW-1161 to indicate agreement with the classification as noted on the SW-1161.

7.309 Step 9 CAM Attorney Review

The Contract Coordinator must obtain the signature of the CAM Attorney on the SW-1161 to indicate concurrence with the classification of the contract.

7.310 Step 10 Accounting Classifications

Each Contract Administrator must coordinate with the Contract Coordinator (see Attachment 2) who will contact Accounting Classifications, when necessary, to ensure that the proper account classifications are determined for financial reporting purposes.

The accounting for Incidental Activities provided under contract is consistent with Regulated Activities provided under federal or state tariffs. All expenses are charged directly to the appropriate expense accounts as incurred. The revenues from these services are credited to the appropriate revenue accounts.

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7.311 Step 11 Reporting and Tracking

Each Contract Administrator will determine the appropriate tracking system and must ensure that the details of the ongoing contract Activities are provided by the Service Provider to the appropriate billing and tracking systems. If the Incidental Activity contract is for a service to be provided to Affiliates the Contract Administrator must coordinate with the Contract Coordinator listed in Attachment 3 to establish procedures for tracking the Affiliate Transactions for regulatory reporting. A list of the Incidental Activities and the Contract Administrators is provided in Attachment 4. All reporting for the billing and tracking of contract Incidental Activities provided by SWBT is reported to the Comptroller's office through one of the following accounting processes:

- a. Revenue special billing is the methodology for contracts classified as Incidental (including incidental contracts with the affiliates) except as noted in b.
- b. The Technical Services Billing System handles the billing to Affiliates for incidental nontariffed software development and support.

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- 7.4 Annual operating revenues from all Nontariffed Activities classified as Incidental cannot exceed, in the aggregate, one percent of total company annual Regulated operating revenues. The Contract Administrator for each Nontariffed Activity is responsible for tracking the Incidental revenues and for reporting the total annual revenues for each Incidental Activity to the external auditors. On an annual basis, when the aggregate revenue information is needed for FCC reporting, the external auditors will initiate a request to all of the Incidental Activities Contract Administrators for reporting the total annual revenues associated with each Incidental Activity. Copies of each response to the external auditors must also be provided to the Contract Coordinator listed in Attachment 2.
- 7.5 The contracts that have been classified via Form SW-1161 will be used by the Contract Coordinator to assist the cost Allocation Manual Contract on a quarterly basis in updating the SWBT CAM filed with the FCC.
- 7.6 Separations Treatment Each Contract Administrator must provide information as requested by the Separations organization for fulfilling FCC requirements for appropriate Separations treatment. Questions may be referred to the Separations Contact listed in Attachment 3.
- 7.7 Review Each contract should be reviewed by the Contract Administrator on an annual basis to determine if there have been any changes that may required the contract to be reentered into the classification process.
- 7.8 Cancellation If a contract is cancelled, the Contract Administrator should write "CANCELLED on (date)" in red ink at the tope of the original SW-1161, and return the form to the Contract Coordinator. In addition, the Contract Administrator must ensure that the ongoing reporting associated with the contract Activities is terminated appropriately.

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8.0 NONREGULATED CONTRACT PROCESS

- 8.1** The classification of Nonregulated indicates that the contract is any one of the following:
- a.** a line-of-business Activity;
 - b.** a non-incidental Activity that has never been tariffed or otherwise regulated by the FCC or any state commission;
 - c.** an Activity that has been preemptively deregulated by the FCC;
 - d.** any non-incidental Activity that is not considered to be a common carrier communications activity under Title II of the Communications Act of 1934, as amended; or
 - e.** any Incidental Activity that causes the aggregate revenues of all Incidental activities to exceed the FCC limit of one percent of total company annual regulated operating revenues.
- 8.2** For contracts classified as Nonregulated, the cost allocation requirements established in Part 64.901 of the FCC Rules and Regulations and defined specifically in the SWBT CAM procedures must be followed to ensure proper cost allocation between our Regulated and Nonregulated activities.
- 8.3** A contract may be classified as nonregulated and also be classified as an affiliate transaction. Treatment of nonregulated affiliate transactions are noted in the following paragraphs.
- 8.4** Upon classification as nonregulated by the CAM contact the Contract Administrator begins the formal classification process.

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8.401 Step 1 Assessment

For each contract, the new service or Activity must be assessed for marketability.

A letter of request for the assessment of a new product, service or Activity should be handled as follows:

- a. Send the letter of request to the Marketing Assessment Address identified in Attachment 3.
- b. Provide a description of the service, or Activity.
- c. Describe the targeted market for the product, service or Activity.
- d. If the result of the assessment is to introduce a nontariffed (contract) service, then the classification process will continue.

8.402 Step 2 Cost Study

A cost study is required for each new or renegotiated contract for the provision of Nontariffed Activities.

For labor efforts (recurring and non-recurring) provide the Responsibility Code (RC), the Job Function Code (JFC), the job level, the number of people and the hours required by state to perform the function. Also indicate how the time was determined (e.g., time and motion study, experience, etc.).

- 1) To request a cost study, a letter should be sent to the Cost Studies Request Address identified in Attachment 3. Questions may be referred to the Cost Studies Contact identified in Attachment 3. The following information is required.

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- a. Provide a description of the contract, the contract period, and a description of each pricing element (such as per unit, per month, per hour, etc.).
 - b. Provide all non-recurring cost elements (one-time and/or start-up) by state and the anticipated date the costs will be incurred.
 - c. Provide all recurring cost elements associated with capital investments; i.e., all equipment, account codes, installation hours, engineering hours, vendor fees, property tax and maintenance expenses (dollars or hours) by state and the anticipated date the costs will be incurred.
- 2) The Cost Studies organization will perform a cost study based on the classification of the contract.
- a. Cost Studies personnel may request additional information, as needed, from the Service Provider and/or the Contract Administrator.
 - b. Cost Studies personnel will develop the annual costs associated with the Activity including capital cost and operating expenses. An incremental unit cost study will be used as the cost floor reference for establishing the price.
 - c. The cost study results for each pricing element will be provided to the Marketing Department to establish the price. The cost study can usually be completed within two months from the date of the request. This cost is considered to be the cost floor for establishing the price.

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- d. The cost study results may be provided to the Separations organization for their use if required.

8.403 Step 3 Pricing

The pricing of specific contract Activities is normally done by the Marketing organization.

- a) Market value is a primary factor in setting price. If a comparable service, product or activity exists in the open marketplace, the price should be set in relation to that market price.
- b) If a market comparable is not available, service value can be used in setting the price. The value of a service, product or Activity may be what the customer is willing to pay or what it would cost the customer to perform the service internally.
- c) However, both market value and service value pricing must recover cost plus some reasonable contribution.

8.404 Step 4 Negotiation

For each contract, coordination must occur between the buyer, the Service Provider and either the Product Manager or a Contract Manager to negotiate terms for a formal contract. Negotiation assistance and guidance is available from the Marketing and Legal Departments and where appropriate, the Procurement Department. Specifically, the Marketing group that sets the price for a particular service can provide contract negotiation or recommendations on contract content. Prior to signing, all contract are required to be submitted for legal review.

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8.405 **Step 5 Legal Review**

Each Contract Administrator must forward the contract to the appropriate departmental representative for review before the contract is signed. The contract must also be forwarded to the CAM Attorney for review prior to being signed.

8.406 **Step 6 Contract Signing**

Upon return from legal review the Contract Administrator must obtain the appropriate signatures of the buyer and SWBT (according to the Schedule of Authorizations).

8.407 **Step 7 Routing Determination**

As soon as the contract has been signed the Contract Administrator must proceed according to the type of service described in the contract.

- a. If the contract is for the nonregulated services of technical personnel services, data processing or data processing service bureau services provided by SWBT to affiliates, the Contract Administrator must forward a copy of the contract to the Area Manager-Affiliate Transactions as listed in Attachment 3, of this Operating Practice. The Area Manager-Affiliate Transactions will assure the billing is established as described in the Contract Administrators Guide, Attachment 5 of this Operating Practice, and assure that copies of the contract are provided to the regulatory bodies as necessary. The billing mechanism is the Technical Services Billing System which parallels the Affiliate Billing System described in the Contract Administrators Guide.

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- b. If the contract is for a nonregulated activity associated with White Pages Advertising services provided by SWBT to Southwestern Bell Yellow Pages, Inc. the Contract Administrator must forward a copy of the contract to the Area Manager-Affiliate Transactions as listed on Attachment 3 of this Operating Practice. The Area Manager-Affiliate Transactions will assure the billing is established as described in the Contract Administrators Guide, Attachment 5 of this Operating Practice, and assure that copies of the contract are provided to the regulatory bodies as necessary. The Technical Services Billing System is also the billing mechanism for this service.
- c. If the contract is for a nonregulated activity other than listed in (a) or (b) above, the Contract Administrator must prepare an SW-1161 as described in Attachment 1 of this Operating Practice. The Contract Administrator must forward the SW-1161 to the Contract Coordinator listed in Attachment 2 to obtain the formal classification. A signed copy of the contract must be attached to the SW-1161.

8.408 Step 8 Formal Classification

The Contract Coordinator will sign the SW-1161 indicating agreement with the classification as noted on the SW-1161.

8.409 Step 9 CAM Attorney Review

The Contract Coordinator will forward the contract and SW-1161 to the CAM Attorney for signature to indicate the concurrence with the classification noted on the SW-1161.

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8.410 Step 10 Accounting Classifications

Upon return of the SW-1161 from the Contract Coordinator with the proper signatures. Each Contract Administrator must coordinate with the Contract Coordinator (see Attachment 2) who will contact Accounting Classifications, when necessary, to ensure that the proper account classifications are determined for financial reporting purposes.

8.411 The accounting for Nonregulated activities is defined by the FCC is Part 32 and Part 64 of the FCC Rules and Regulations and is described in SWBT's CAM procedures. When the contract classification has been determined as Nonregulated by the Contract Administrator and concurred with by the Contract Coordinator listed in Attachment 2, the Contract Administrator will contact the Cost Allocation Manual Contact listed in Attachment 3 and the Cost Allocation Manual Contact will determine the necessary Nonregulated reporting codes needed for reporting the expenses as required in the CAM. In addition, the Contract Administrator will contact the Accounting Classifications Contact listed in Attachment 3 and the Accounting Classifications Contact will establish the necessary Nonregulated Special Purpose Function Codes (SPFCs) and subaccounts for the identification of revenues.

8.412 Specific questions concerning the CAM should be directed to the CAM Contact listed in Attachment 3. All other accounting classifications questions related to Nonregulated Activities should be directed to the Accounting Classifications Contact listed in Attachment 3.

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8.413 Step 10 Reporting and Tracking

Each Contract Administrator will determine the appropriate tracking system and must ensure that the details of the ongoing contract Activities are provided by the Service Provider to the appropriate billing and tracking systems.

- a. Generally nonregulated services are billed through CRIS or revenue special billing.
- b. Nonregulated Installation and Maintenance activities where SWBT provides these services for Southwestern Bell Telecommunications, Inc. are billed through the I/M billing system administered by the Contract Coordinator listed in Attachment 2 of this Operating Practice.
- c. Nonregulated Data Processing Service Bureau, Technical Personnel Services and White Pages Advertising Services provided to affiliates are billed through the Technical Services Billing System administered by the Contract Coordinator listed in Attachment 2 of this Operating Practice.

- 8.5 Although these are nonregulated services, the billed revenues should be readily reportable as the FCC and other regulatory bodies request reporting of these revenues occasionally (annually for the FCC).
- 8.6 The contracts that have been classified via Form SW-1161 will be used by the Contract Coordinator to assist the CAM Contact on a quarterly basis in updating SWBT's CAM with the FCC.

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- 8.7 Separations Treatment Each Contract Administrator must provide information as requested by the Separations organization for fulfilling FCC requirements for appropriate Separations treatment. Questions may be referred to the Separations Contact listed in Attachment 3.
- 8.8 Review. Each contract should be reviewed by the Contract Administrator on an annual basis to determine if there have been any changes that may required the contract to be reentered into the classification process.
- 8.9 Cancellation. If a contract is cancelled, the Contract Administrator should write "CANCELLED on (date)" in red ink at the top of the original SW-1161, and return the form to the Contract Coordinator. In addition, the Contract Administrator must ensure that the ongoing reporting associated with the contract Activities is terminated appropriately.

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9.0 AFFILIATE TRANSACTION RULES

- 9.1 In CC Docket No. 86-111, the FCC prescribes rules which SWBT must follow in conducting business with its affiliated companies. These rules, which have been incorporated into the SWBT CAM, prescribe the methods for accounting for Regulated activities involving assets and services transferred or provided to and from SWBT and its Affiliates. Nonregulated activities are not subject to the rules defined in 9.10-9.13 below.
- 9.10 Assets Transferred to SWBT Charges for Assets purchased by or transferred to SWBT regulated activities from a Nonregulated Affiliate must be recorded on the SWBT operating accounts at the invoice price if that price is determined by a prevailing price held out to the general public in the normal course of business. If a Prevailing Price for the asset received by SWBT is not available, the charges recorded by SWBT shall be the lower of the Affiliate's cost less applicable accumulated depreciation (net book value) or their fair market value.
- 9.11 Assets Transferred from SWBT. Assets sold or transferred from SWBT to a Nonregulated Affiliate must be recorded as SWBT operating revenues, incidental revenues or asset retirements according to the nature of the transaction involved. If such sales are of tariffed assets or at the Prevailing Price held out to the general public in the normal course of business the revenues shall be recorded at the prices charged to the affiliates. If no tariff or Prevailing Price is available, proceeds from the assets transferred from SWBT are determined at the higher of cost less applicable accumulated depreciation (net book value) or estimated fair market value.

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- 9.12 Services Provided to SWBT. Services provided to SWBT from an Affiliate must be recorded in the SWBT operating accounts at the Prevailing Price (Market Rate) if the Affiliate also provides the service to third parties in a substantial number of transactions. When the affiliate provides substantially all of a service to SWBT or SWBT and other Affiliates, the services will be recorded at cost which is determined in a manner that complies with the standards and procedures for the apportionment of joint and common costs between regulated and nonregulated operations (Fully Distributed Cost [FDC]).
- 9.13 Services Provided by SWBT. Services provided by SWBT to an Affiliate should be recorded in the appropriate SWBT revenue accounts at the Tariffed rate or the Prevailing Price (if SWBT also provides the service to nonaffiliates in a substantial number of transactions). When these criteria do not apply, SWBT must record a price that is at or above FDC (developed as described in 9.12 above).
- 9.14 Anyone planning to enter into a transaction with an affiliate whether a sale or a purchase, and whether assets or services are involved must contact the organization of the District Manager-State Regulatory Issues. If the transaction(s), is a service that will be provided by SWBT to affiliates only, contact the Area Manager-Affiliate Services (see Attachment 3, Page 2). If the transaction(s) involves the purchase of a service or asset, or the sales of incidental services, nonregulated services, or an asset(s), contact the Area Manager-Affiliate Transactions (see Attachment 3, Page 2). These contacts will assure that all regulatory issues are addressed.

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- 9.15 Procedures to follow for purchases of services from affiliates are in Section 11 of this Operating Practice.
- 9.16 Procedures to follow for the occasional purchase of other assets from affiliates are in Section 12 of this Operating Practice.
- 9.17 Procedures to follow for the sales of services to affiliates only are in Section 13 of this Operating Practice.
- 9.18 Procedures to follow for the classification of SWBT sales of nontariff services that are not sold to affiliates only, are not nonregulated, and are not incidental activities are contained in Section 6 of this Operating Practice.
- 9.19 Procedures to follow for the classification of sales of incidental services by SWBT to affiliates are contained in Section 7 of this Operating Practice.
- 9.20 Procedures to follow for the classification of sales of nonregulated services by SWBT to affiliates are contained in Section 8 of this Operating Practice.
- 9.21 Section 10 of this Operating Practice provided procedures for sales of assets by SWBT to Affiliates.

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10.0 SALES OF ASSETS TO AFFILIATES

10.1 Affiliate Transactions involving the sales and purchases of plant in-place must be coordinated with the Area Manager-Valuation (see Attachment 3, Page 2) in the organization of the Division Manager-Finance/Regulatory. Additional information on procedures for the processing and recording of sales or purchases of telephone plant in-place can be found in the SWBT Purchases and Sales Manual. Questions may be referred to the Purchases and Sales Contact listed in Attachment 3.

10.2 Affiliate Transactions involving the sale and purchases of assets other than in-place Plant must be coordinated through the organization of the District Manager-State Regulatory Issues.

10.3 Regardless of the type of asset sold the person responsible for the sale must assure that the following steps are included in the sales process.

10.301 Step 1

Direct the Property and Cost Records group to develop documentation of the net book value (original cost minus appropriate reserves) for each item to be sold.

10.302 Step 2

Develop and document the fair market value of the items to be sold, i.e. call new or used furniture, or computer equipment, etc. dealers for quotes of current sales price of like items.

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- 10.303 Step 3
Negotiate with the affiliate for a price that must be at least the higher of the net book value and fair market value for each item.
- 10.304 Step 4
Prepare the sales documentation (invoice, bill of sale etc.) in such a manner that the net book value, the fair market value and the sales price for each item are clearly displayed.
- 10.305 Step 5
Upon completion of the sale copies of the documentation including net book value and fair market value documentation must be provided to the Area Manager-Affiliate Transactions at the address shown on Attachment 3, Page 2. Documentation includes how fair market value was determined, and, if discussions with furniture dealers, etc. took place, a record of what company, when the discussion occurred and the fair market value detail.

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11.0 PURCHASES FROM AFFILIATES

- 11.1** Purchases from affiliates must not be undertaken without a written contract or agreement and should only be done when it makes good business sense to do so. The contract/agreement must contain a clause necessary to ensure that the affiliates provide the information SWBT needs in order account for the affiliate transactions in compliance with the FCC accounting safeguards. See Attachment 6 for an example of this clause. Refer to Operating Practice 112, Purchasing and Contracting Policies, and/or request support from the Legal or Procurement representative for the appropriate standard clauses to include into affiliate contracts or agreements. When documenting oral purchase agreements as described in 1.9 of this Operating Practice, language similar to the clause in Attachment 6 must be included.
- 11.2** There is an occasional nonrecurring purchase of an asset (microcomputer, desk, table etc.) from affiliates. These are outside the normal purchase of assets such as telephone and cellular equipment. Refer to Section 12 of this Operating Practice for information on these nonrecurring transactions.
- 11.3** Although purchase contracts do not enter the classification process, an SW-1161 must be prepared for each new purchase contract where SWBT is purchasing goods/services from an affiliate. The SW-1161 and a copy of each new contract, addendum or amendment must be sent to the Contract Coordinator listed in Attachment 2 of this Operating Practice. This is because certain of the states regulatory bodies require a copy of each SWBT contract for purchases to or sales from affiliates. Also, the Contract Coordinator is responsible for the identification of affiliate transactions for inclusion in the CAM and for monitoring the transactions to assure compliance with the FCC rules for recording affiliate transactions. The preparation and review of the SW-1161 is an integral part of the audit trail that identifies affiliate contracts for tracking and monitoring of the associated transactions.

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